



*Value life's benefits*

2004 Commonwealth of Kentucky • Personnel Cabinet  
Office of Public Employee Health Insurance

# Employee Benefits Resource Directory

EMPLOYER	AGENCY	HOURS OF OPERATION	PHONE/WEB ADDRESS
Commonwealth of Kentucky	Personnel Cabinet Office of Public Employee Health Insurance Member Services Branch	M - F 7:30 a.m. - 4:30 p.m. EST	1-888-581-8834 1-502-564-6534 <a href="http://personnel.ky.gov">http://personnel.ky.gov</a>

PROVIDER COMPANY	DEPARTMENT	HOURS OF OPERATION	PHONE/WEB ADDRESS
Fringe Benefits Management Co. (Flexible Spending Accounts )	FBMC Customer Service Interactive Benefits	M - F 7 a.m. - 10 p.m. EST 24 hours a day	1-800-342-8017 1-800-865-3262 <a href="http://www.fbmc-benefits.com">www.fbmc-benefits.com</a>

## Commonwealth of Kentucky

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# Enrollment At A Glance

## IMPORTANT DATES TO REMEMBER

**Your Open Enrollment dates are:**

**September 15, 2003 - October 3, 2003**

**Your Period of Coverage dates are:**

**January 1, 2004 - December 31, 2004**

## Flexible Spending Account (FSA) Highlights

- FBMC offers valuable FSA enhancements to make using your FSA easier. Direct Deposit, Interactive Benefits, Online Access, and the EZ REIMBURSE® for Rx Only Card — a card that functions like a debit card to access your Medical Expense FSA funds for prescriptions — are now available for your convenience.
- You may enroll in Direct Deposit to ensure that your FSA reimbursement checks are automatically deposited into your checking or savings account. See Page 6 for more details.
- Interactive Benefits provides automated telephone service to help you access your FSA information by phone. See Page 4 for more information.
- You may also visit FBMC's updated Web site to download forms, view your FSA balance and transaction history, and more. See Page 4 for more online access information.

## Important Reminders

- See Page 10 for a Partial List of Eligible Expenses.
- Medical and Dependent Care FSAs are pre-tax accounts.
- Enrollment into an FSA is not automatic; you must complete an application.
- Employer contributions are for Medical FSAs only. There is no employer contribution for Dependent Care FSAs.
- You have a 90 day grace period (until March 31, 2005) at the end of the plan year for reimbursement of eligible FSA expenses incurred during your period of coverage within the 2004 Plan Year. This also applies to those who retire or terminate before the plan year ends. These members will only be allowed to submit claims for services provided from the effective date of coverage until their termination date.
- A **Letter of Medical Need** is required for many dental and medical issues. Please contact FBMC Customer Service at 1-800-342-8017 or TDD 1-800-955-8771 for more information.
- A **spouse's differing open enrollment period** at their place of employment is **not a qualifying event** that allows you to start, stop, or make changes to an existing FSA.
- If you waive health insurance coverage and would like to participate in an FSA, you will need to complete Sections I, II (#2), VI, and VII of your Health Insurance/FSA enrollment application.
- If you do not wish to receive the EZ REIMBURSE Card, please be sure to mark **DECLINE** on the Health Insurance/FSA enrollment application.
- If you waive health insurance coverage and wish to direct the employer contribution to a Medical Expense FSA, the maximum employer contribution will be \$234 per month. If you are able to purchase an insurance plan for less than \$234, any excess funds will be available for a Medical Expense FSA — if you are eligible and you complete the appropriate application. If the employer contribution for the lowest cost Single Option A plan in your county is higher than \$234 and you waive health insurance coverage, you will only receive the employer contribution of \$234 — not the amount contributed to the lowest cost health insurance plan in your county.



# Access Your Benefits *On the web and over the phone*

## FBMC Web Site

FBMC's Web site provides comprehensive information regarding your benefits and details on your Flexible Spending Account(s).

Enter **www.fbmc-benefits.com** into your Internet browser. This will bring you to FBMC's new homepage. Navigational tabs to customer links are located along the top portion of the page. By simply clicking on one of these tabs and entering your Social Security Number (SSN) and PIN, you'll be able to access the information you need. The following Web site customer links are available to meet your benefit needs:

### Account Information

If you select the 'Account Information' tab, you'll be prompted to enter your SSN and PIN. Enter your PIN and follow the prompts to access your FSA details.

You'll notice a navigational menu on the left panel of the Web page. These menu items allow you to check the history of your FSA transactions, current balance, and claims you submitted.

### Downloading Forms

If you select the 'Download Forms' tab, a choice of forms including an FSA Reimbursement Claim form, Medical Necessity, and Direct Deposit Form are posted for your convenience. You'll need Acrobat Reader to view and print these forms. A link to download the Acrobat Reader application is located at the bottom of the Web page.

### Frequently Asked Questions

The 'Frequently Asked Questions' tab will provide answers to many of your general questions regarding Flexible Spending Accounts and enrollment information.

### FBMC Customer Service

The 'Customer Service' tab gives you a direct link to the FBMC Customer Service Center.

## FBMC Interactive Benefits

FBMC's 24-hour automated phone system allows you to access your benefits any time to check on a claim, verify the status of a Flexible Spending Account, request forms and more! Getting connected to your benefits is easy. Call the Information Line at: **1-800-865-FBMC (3262).**

## A Word About Your PIN

The first time you access the FBMC Web site or the Interactive Voice Response system, all you need is your Social Security Number (SSN). The last four digits of your SSN will be your first Personal Identification Number (PIN). Then:

### On the Web

The site will ask you to select your own confidential four-digit PIN for future use. This new PIN cannot be the last four digits of your SSN, as it was previously. If you forget your PIN, you may send an e-mail to a Customer Service Representative by clicking on the link at the upper left hand corner of the page. A representative will respond via e-mail with further instructions. Once you've selected your new PIN, you may access information about your benefits.

### Over the Phone

The system will ask you to select your own confidential four-digit PIN for future use. This new PIN cannot be the last four digits of your SSN, as it was previously. If you forget your PIN, you may press '0' at any time to speak with a Customer Service Representative. Once you've selected your new PIN, the system will give you the following list of options from which to choose.

### MAIN MENU OPTIONS:

**Press 1** Flexible Spending Accounts

**Press 2** Form requests

**Press 3** Change PIN

**Press 4** Verify address

Other Options:

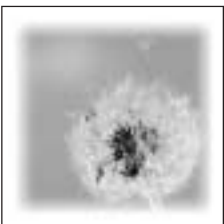
**Press 0** Customer Service Representative

**Press 9** Main Menu

**Press \*** Repeat the menu

**Press #** Exit Information Line

**Please keep your PIN in a safe place. The PIN you select will give you access to both the Interactive Voice Response system and the FBMC Web site.**



# Eligibility Requirements

## When does my period of coverage begin?

**Current Employees:** Your period of coverage is January 1 through December 31, 2004. See Page 15 for information about changing your coverage.

**New Employees:** If you are a new employee, your period of coverage begins on the first day of the second month following your date of hire. If you do not complete a form during this initial eligibility period, you must wait until the next annual Open Enrollment or until you experience a valid Change in Status (see Page 15).

## Who is eligible to enroll in the Flexible Benefits Plan?

Active Kentucky State Government employees who are eligible for state-sponsored health insurance coverage.

## Who are eligible dependents?

Eligible dependents include:

- your legal spouse;
- your own unmarried children;
- stepchildren and legally adopted children (provided they reside in your household and primarily depend on you for support); and
- children for whom you have been appointed legal guardian.

## How will retiring affect my eligibility?

According to federal and state law in the case of group health benefits, if you participated in a Medical Expense FSA during the plan year, you can choose to continue your Medical Expense FSA coverage under COBRA if you experience a triggering qualifying event under COBRA laws. At the end of the plan year in which the COBRA-qualifying event occurred, however, your Medical Expense FSA coverage will be canceled. (See Page 18 for further details.)

## Appeal Process

If you have an FSA reimbursement claim, or other similar request denied, in full or in part, you have the right to appeal the decision by sending a written request to FBMC for review.

### Your appeal must state:

- why you think your request should not have been denied;
- the name of your employer;
- the date of the services for which your request was denied;
- a copy of the denied request;
- the denial letter you received; and
- any additional documents, information or comments you think may have a bearing on your appeal.

**PLEASE NOTE: Appeals are approved only if the extenuating circumstances and supporting documentation are within IRS regulations governing the plan.**

## Change In Status (Qualifying Event)

You may be able to change your current election and make a new election mid-year if you experience an eligible qualifying event. Most qualifying events that allow you to make a change in your Health Insurance may now permit you to make a change in your Medical Expense FSA. Contact your Health Insurance Coordinator or the Office of Public Employee Health Insurance (OPEHI) at 1-888-581-8834.

The IRS requires your enrollment in Commonwealth Choice to continue for the entire plan year, which is January 1, through December 31. However you can modify your contributions to the **Dependent Care Spending Account** if you experience a valid Family Status Change: e.g., marriage; divorce; dependent's birth, death, adoption, or ineligibility; spouse's change in employment; employee's termination of employment; unpaid leave of absence; or other related change.

If you experience a Family Status Change, you **MUST** complete the appropriate form provided by the OPEHI — along with documentation to your Insurance Coordinator **within 30 days** of the change. The Office of Public Employee Health Insurance will review your Family Status Change.

**IMPORTANT:** Mid-year election changes may be made to the Medical Expense FSA for most qualifying events that allow you to make a change in your Health Insurance. If you experience one of these events, you may be allowed to make a change in the amount of contribution (employer and/or participant) to your account.



# Flexible Spending Accounts

## What is a Flexible Spending Account?

A Flexible Spending Account is an IRS-approved, tax-free account that saves you money on eligible medical and dependent care expenses. You authorize per-pay-period deposits to your FSA from your before-tax salary. Then, as you incur eligible expenses, you request tax-free withdrawals from your account to reimburse yourself. There are two kinds of FSAs: a Medical Expense FSA and a Dependent Care FSA. If you incur both types of expenses, you can establish both accounts.

## Why would I enroll in an FSA? To Save Money!

Over a year's time you will probably spend a part of your salary on health or dependent care. You can save money by putting that amount directly into a Flexible Spending Account.

## Get the facts about FSAs

If you have questions, call FBMC Customer Service (Monday-Friday, 7 a.m.-10 p.m. EST) at 1-800-342-8017. You may also e-mail Customer Service at [webcustomerservice@fbmc-benefits.com](mailto:webcustomerservice@fbmc-benefits.com).

**NOTE: Due to the privacy policies of the Health Insurance Portability and Accountability Act (HIPAA), FBMC, and the OPEHI, we will not discuss your account information with others without your verbal or written authorization.**

## Receiving Reimbursement

You should receive your reimbursement within 5 - 10 business days from the time we receive your properly completed and signed reimbursement request. To avoid delays, follow the instructions for submitting your requests located in the FSA materials you will receive following enrollment.

## Direct Deposit

Enroll in Direct Deposit to ensure that your FSA reimbursement checks are automatically deposited into your checking or savings account. There is no fee for this service, and you don't have to wait for postal service delivery of your reimbursement (however, you will receive notification that the claim has been processed). To apply, complete the application form available from your **Enrollment Counselor**, or by calling FBMC Customer Service at 1-800-342-8017. Please note that processing your Direct Deposit application may take between four to six weeks.

## FSA Guidelines:

1. The IRS does not allow you to pay your medical or other insurance premiums through either type of FSA.
2. You cannot transfer money between FSAs or pay a dependent care expense from your Medical Expense FSA or vice versa.

3. You have a 90-day grace period (until March 31, 2005) at the end of the plan year for reimbursement of eligible FSA expenses incurred during your period of coverage within the 2004 Plan Year.
4. You may not receive insurance benefits or any other compensation for expenses which are reimbursed through your FSAs.
5. You cannot deduct reimbursed expenses for income tax purposes.
6. You may not be reimbursed for a service which you have not yet received.
7. Be conservative when estimating your medical and/or dependent care expenses for the 2004 Plan Year. **IRS regulations state that any unused funds which remain in an FSA account after a plan year ends and all reimbursable requests have been submitted and processed cannot be returned to you nor carried forward to the next plan year.**

## Written Authorization and Certification

When enrolling in either or both FSAs, agreement with Section VII of your Health Insurance/FSA Enrollment Application and the following will be required:

- I will only use my FSA to pay for IRS-qualified expenses and only for my IRS-eligible dependents;
- I will exhaust all other sources of reimbursement, including those provided under my employer's plan(s) before seeking reimbursement from my FSA;
- I will not seek reimbursement through any other source; and
- I will collect and maintain sufficient documentation to validate the foregoing.

## Without an FSA: (Example)\*

\$50.00	monthly budget for a medical expense
- 11.33	taxes on that \$50 taken from your paycheck
<hr/>	
\$38.67	amount you have left for medical expense

## With an FSA: (Example)

\$50.00	monthly FSA deposit for a medical expense
- 0.00	no taxes (no taxes on FSA deposits)
<hr/>	
\$50.00	amount you have left for medical expense

\*Based upon a 22.65% tax rate (15% federal and 7.65% Social Security).

**Because the money you deposit in your Medical and Dependent Care FSA is deducted before taxes, the income you use for these expenses is ALWAYS TAX FREE.**



# Flexible Spending Accounts *Continued*

## What documentation of expenses do I need to keep?

The IRS requires FSA members to maintain complete documentation, including keeping copies of receipts for reimbursed expenses, for a minimum of one year.

## How do I get the forms I need?

To receive forms you will need after enrolling in either a Medical Expense or Dependent Care FSA, such as an FSA Reimbursement Form, Medical Necessity Form or Direct Deposit Form, you can contact FBMC Customer Service at 1-800-342-8017 or visit FBMC's Web site, [www.fbmc-benefits.com](http://www.fbmc-benefits.com). For more information, refer to the *Access Your Benefits* section of this booklet.

## Why is my signature needed on the FSA Reimbursement Request Form?

Your Flexible Spending Accounts are tax-favored accounts, and must follow strict guidelines. Your signature on the form submitted for reimbursement serves as a required certification that you are abiding by the plan rules. We cannot process your request without it!

## Are prescriptions eligible for reimbursement?

Yes, most filled prescriptions are eligible for reimbursement. However, in response to new state and federal privacy standards, some pharmacy chains have discontinued listing prescription names on their receipts. The IRS requires this information to ensure that the drug is eligible for reimbursement, so the complete name of the drug must be obtained and documented on your receipt before submitting it with your request to FBMC for reimbursement.

## Is transportation for medical care reimbursable?

Yes, it is reimbursable, as long as a receipt, statement or bill is sent along with your request to validate your visit. Travel expenses for medical care, including healthcare provider and pharmacy visits, can include:

- actual roundtrip mileage\*
- parking fees
- tolls and
- transportation to another city, if the trip is primarily for, and essential to, receiving medical care.†

Guidelines on eligible travel expenses and how to calculate and submit expenses for reimbursement will be included in the materials you receive, following enrollment in a Medical Expense FSA.

**NOTE: Expenses incurred for transportation are *not* considered a dependent day care expense.**

## Termination or Leave Medical Expense FSAs

If you terminate employment or go on unpaid leave, you may continue your Medical Expense FSA election upon completion of the appropriate forms and requirements. To make this continuation, contact your Insurance Coordinator within 30 days of the event.

You have a grace period within which to submit eligible Medical Expense FSA expenses incurred during your period of coverage within the plan year. Refer to the "FSA Guidelines" portion of the *Flexible Spending Accounts* section for more information.

If you go on Family Medical Leave, contact your Insurance Coordinator for further information and required forms.

## Dependent Care FSAs

If you terminate employment or go on unpaid leave, you cannot continue contributing to your Dependent Care FSA. You can, however, continue to request reimbursement for eligible expenses incurred while employed until you exhaust your account balance or the plan year ends.

\*Calculate the mileage on the actual receipt detailing the following: mileage multiplied by the current IRS rate per mile (\$0.12, subject to federal change each tax year) and the name of the provider visited.

†(IRS Publication 502)



# EZ REIMBURSE® for Rx Only Card

The EZ REIMBURSE Card electronically debits funds from your Medical Expense FSA when an eligible, uninsured Rx expense is incurred.

Much like other debit cards, there is no risk of overspending. If funds are not available, the transaction is denied. Because no credit is being extended, cards are available to anyone who signs up for a Medical Expense Flexible Spending Account.

About 50 percent of all FSA medical claims are for prescription drugs. FBMC and its partners developed a system enabling online, real-time, adjudication of prescription drug claims. When you present the card at participating pharmacies to buy a prescription drug or to pay the prescription co-pay, your FSA account is automatically debited. There are no claim forms or receipts to send.

## How do I get a EZ REIMBURSE® Card?

When you sign up for a Medical Expense FSA, you will automatically receive your EZ REIMBURSE® Card in the mail, **unless you decline to waive the card by indicating so on your Health Insurance/FSA enrollment application.**

For additional information regarding the EZ REIMBURSE® Card, call FBMC Customer Service at 1-800-342-8017, Monday through Friday, 7 a.m. - 10 p.m. EST.

## What does it cost to use the EZ REIMBURSE® Card?

There is a \$6 annual fee that is automatically deducted from your Medical Expense FSA, when you receive your EZ REIMBURSE Card. There is a \$0.50 fee for each transaction. Each prescription counts as one transaction. For example, if you fill two prescriptions in one visit to the pharmacist, you will be assessed \$1.00 in transaction fees -- one \$0.50 transaction fee per prescription. (When you budget for your FSA deductions, you may want to consider these fees in your calculations.)

**Please complete a Medical Needs Letter at the beginning of the plan year for all prescriptions drugs that require it and submit to FBMC.**

**Visit [www.fbmc-benefits.com](http://www.fbmc-benefits.com) for this form.**

## When do I use paper claim forms?

If your pharmacy does not accept the EZ REIMBURSE® Card or for eligible expenses, you must submit a paper claim. You will need to file a reimbursement request form, attach your receipts and wait for the reimbursement. To shorten the wait, you can apply for direct deposit and speed up your reimbursement.

## What should I do if my pharmacist doesn't know how to use the card?

For questions of assistance, your provider/pharmacist may contact the Pharmacy Help Desk at 1-800-361-4542 (M - F 8 a.m. - 7 p.m., EST). Contact information for your pharmacist is also on your EZ REIMBURSE Card.

## What do I do if I lose my card?

If your card is lost or stolen, call 1-800-361-4542 immediately.

## What should I do if I believe a transaction was made in error?

To dispute a transaction you believe is incorrect, call 1-800-361-4542.

## What are the advantages of the EZ REIMBURSE® Card?

- Instant reimbursements – cash-free transactions!
- Paperless prescription medication purchases – instant claims adjudication
- You save taxes by participating in an MFSA account
- Only a \$6 annual fee (automatically deducted from your MFSA)
- Only a \$0.50 transaction fee





# Medical Expense FSA

**Minimum Deposit: \$5 per paycheck**  
**Maximum Deposit: \$120 per paycheck**

## Who is eligible?

Under the Medical Expense FSA, you may be reimbursed for eligible expenses incurred by the following:

- yourself;
- your spouse; and
- your tax dependents.

To qualify as your tax dependent, an individual must meet all the following criteria:

- a) must be your relative, or, if not your relative, live with you for the entire calendar year
- b) must be a U.S. citizen or a resident of the U.S., Mexico or Canada and
- c) you must have provided the individual with at least half of their total support and/or expenses during the calendar year.

An eligible child of divorced parents is treated as a dependent of both parents. Therefore, either or both parents can establish a Medical Expense FSA.

## Availability

Once you sign up for a Medical Expense FSA and decide how much to contribute, the maximum annual amount of reimbursement for eligible medical expenses will be available throughout your period of coverage, provided the request does not exceed your annualized contribution.

You do not have to wait for the cash to accumulate in your account before you can use it to pay for your uninsured, eligible medical expenses. Your money is tax free and interest free.

## Special Ordering Rule

Expenses must first be submitted for payment to any health plan(s) provided by your employer in which you participate. Any remaining out-of-pocket expenses may then be submitted for reimbursement from your Medical Expense FSA.

## FSA vs. Claiming Expenses on IRS Form 1040

*Unless your itemized medical expenses exceed 7.5 percent of your adjusted gross income\*, you can't get a break by claiming them on your IRS Form 1040. But you can save taxes by paying for your uninsured, out-of-pocket medical expenses through a tax-free Medical Expense FSA.*

For instance, if your adjusted gross income is \$45,000, the IRS would only allow you to deduct itemized expenses that exceed \$3,375 or 7.5 percent of your adjusted gross income. But, if you have \$2,000 in eligible medical expenses, the FSA saves you \$653 on your medical expenses in federal income (25 percent) and Social Security taxes (7.65 percent).

With a Medical Expense FSA, the money you set aside for medical expenses is deducted from your salary before taxes. So, it is ALWAYS tax-free, regardless of the amount. By enrolling in a Medical Expense FSA, you guarantee your savings.

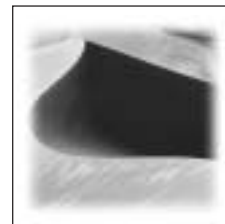
**\*Note: Both you and your spouse's incomes must be included for the purposes of determining adjusted gross income.**

## Ineligible Expenses

- Insurance premiums
- Vision warranties and service contracts
- Prescription drugs approved by the FDA for over-the-counter distribution
- Health or fitness club membership fees
- Cosmetic surgery not deemed medically necessary to alleviate, mitigate or prevent a medical condition

## Setting Aside Funds

*Remember to estimate your expenses carefully. A change during the plan year in the cost, type or level of medical care or services provided to you or your family will not permit you to change your Medical Expense FSA election.*



# Medical Expense FSA *Continued*

## Orthodontia

Orthodontia treatment designed primarily to improve one's appearance is **not** reimbursable. Orthodontia treatment designed to treat a specific medical condition is reimbursable if the following documentation is attached to the initial Flexible Spending Account Form each plan year:

1. A Letter of Medical Need from the treating dentist/orthodontist. Visit the FBMC Web site at [www.fbmc-benefits.com](http://www.fbmc-benefits.com), or call FBMC Customer Service at 1-800-342-8017 to obtain this letter.
2. A copy of the patient's contract with the dentist/orthodontist for the orthodontia treatment.
3. A written statement (e.g., bill) from the treating dentist/orthodontist showing the date the service was rendered, the identity of the individual receiving the service and the cost for the service.

For payment options available under your employer's plan, refer to the information sheet provided following your enrollment, or call FBMC Customer Service at 1-800-342-8017.

## Weight-loss Programs and the IRS

The IRS officially recognizes obesity as a disease. Out-of-pocket medical expenses for **doctor prescribed** treatment of obesity is reimbursable under your Medical Expense FSA. This includes treatment in weight-loss programs and/or meetings; it excludes diet foods that are substitutes for normal nutritional requirements.

## Requesting Reimbursement

To request reimbursement from your Medical Expense FSA, you must mail or fax a correctly completed FSA Reimbursement Request Form along with one of the following:

- a receipt, invoice or bill from your healthcare provider listing the date you received the service, the cost of the service, the type of service and the person for whom the service was provided;
- an Explanation of Benefits\* (EOB) from your health insurance provider that shows the type of service you received, the date and cost of the service and any uninsured portion of the cost; or
- a written statement from your healthcare provider that the service was medically necessary if those services *could* be deemed cosmetic in nature.

**Mail to:** Contract Administrator  
Fringe Benefits Management Co.  
P.O. Box 1800  
Tallahassee, FL 32302-1800

**Fax to:** 850-425-4608

## Partial List of Eligible Expenses\*

Acupuncture<sup>1</sup>  
Ambulance service  
Birth control pills and devices  
Chiropractic care<sup>1</sup>  
Contact lenses (corrective)<sup>2</sup>  
Dental fees<sup>1</sup>  
Diagnostic tests/health screening  
Doctor fees<sup>1</sup>  
Drug addiction/alcoholism treatment  
Drugs (prescription only)<sup>3</sup>  
Experimental medical treatment<sup>1</sup>  
Eyeglasses<sup>2</sup>  
Guide dogs  
Hearing aids and exams  
Injections and vaccinations  
In vitro fertilization  
Nursing services<sup>1</sup>  
Optometrist fees  
Orthodontic treatment<sup>1</sup>  
Prescription drugs to alleviate nicotine withdrawal symptoms  
Smoking cessation programs/treatments  
Surgery<sup>1</sup>  
Transportation for medical care  
Vitamins/natural supplements<sup>1</sup>  
Weight-loss programs/meetings  
Wheelchairs  
X-rays

1. Some treatments or services require a letter of medical need from the treating healthcare provider.
2. Expenses are reimbursable based on the date available to be picked up, not the date ordered.
3. Not all drugs requiring a prescription are approved by the IRS as eligible for reimbursement.

**Note:** Budget conservatively. No reimbursement or refund of Medical Expense FSA funds is available for services/surgeries that do not occur.

\* IRS-qualified medical expenses are subject to federal regulatory change at any time during a tax year.



\* EOBs are not required if your coverage is through a HMO.

# Dependent Care FSA

**Minimum Deposit: \$5 per paycheck**  
**Maximum Deposit: The maximum contribution depends on your tax filing status as the list indicates.**

## How the Dependent Care Flexible Spending Account Could Work for You

A Dependent Care FSA can help recover some of the money you spend to ensure your dependents (child, adult or elder) are taken care of while you and your spouse are working.

### Whose expenses are Eligible?

Under the Dependent Care FSA, you may be reimbursed for eligible dependent care expenses incurred by the following:

- children 12 years or younger who reside in your household and
- adults/children mentally or physically incapable of self-care who spend at least eight hours a day in your household.

### Tax Filing Status:

- If you are married and filing separately, your maximum is \$2,500.
- If you are single and head of household, your maximum is \$5,000.
- If you are married and filing jointly, your maximum is \$5,000.
- If either you or your spouse earn less than \$5,000 a year, your maximum is equal to the lower of the two incomes.
- If your spouse is a full-time student or incapable of self-care, your maximum is \$3,000 a year for one dependent and \$5,000 a year for two or more dependents.

## Dependent Care FSA vs. Dependent Care Tax Credit

Depending on a taxpayer's circumstances, participating in a Dependent Care FSA plan on a salary reduction basis will generally produce the greatest tax benefit except when:

- your W-2 income before Dependent Care FSA salary reductions is approximately \$35,000 to \$39,000, you have only one qualifying individual and your eligible dependent care expenses for the tax year are less than \$3,000 or
- your W-2 income is approximately \$12,000 to \$15,000 or less.

If either of the above apply to you, the Dependent Care Tax Credit (DCTC) may be a better option for you.

In addition to receiving the tax benefit of participating in a Dependent Care FSA plan, a partial Dependent Care Tax Credit may be available to you. For example, you may be able to claim an additional DCTC in an amount equal to a percentage of \$1,000 if you have:

- two or more qualifying individuals
- a maximum Dependent Care FSA tax filing status of \$5,000 and
- \$6,000 or more in eligible dependent care expenses.

**Note: You cannot use the DCTC if you are married and filing separately. Any dependent care expenses reimbursed through your Dependent Care FSA cannot be filed for the DCTC.**

### Eligible Expenses

- Day care facility fees
- Local day camp fees
- Baby-sitting fees for at-home care while you and your spouse are working (care cannot be provided by you, your spouse or other tax dependent)

Generally, child, adult and elder care costs that allow you and your spouse to work or actively look for work are eligible for reimbursement. If you are married, your spouse must work, be a full-time student or be mentally or physically incapable of self-care.

### Ineligible Expenses:

- Child support payments or child care if you are a non-custodial parent
- Payments for dependent care services provided by your dependent, your spouse's dependent or your child who is under age 19
- Healthcare costs or educational tuition
- Overnight care for your dependents (unless it allows you and your spouse to work during that time)
- Nursing home fees
- Diaper services
- Books and supplies
- Activity fees
- Kindergarten expenses



# Dependent Care FSA *Continued*

## Requesting Reimbursement:

Each Dependent Care FSA reimbursement request sent by mail or fax must include a properly completed FSA Reimbursement Request Form, including receipts showing the following:

- the date your dependent received the care (for example, October 13, 2003, through October 17, 2003)— not the date you paid for the service;
- the name and address of the facility; or
- the name, address and signature of the individual providing the dependent care service.

Be certain you obtain and submit the above information when requesting reimbursement from your Dependent Care FSA. This information is required with *each* request for reimbursement.

**Mail to:** Contract Administrator  
Fringe Benefits Management Co.  
P.O. Box 1800  
Tallahassee, FL 32302-1800

**Fax to:** 850-425-4608

**Note: If you elect to participate in the Dependent Care FSA, or if you file for the Dependent Care Tax Credit, you must attach IRS Form 2441, reflecting the information above, to your 1040 income tax return. Failure to do this could result in the IRS not allowing your pre-tax exclusion.**

## When to Request Reimbursement

You can request reimbursement as often as you like. However, your approved expense will not be reimbursed until the last date of service for which you are requesting reimbursement has passed.

For example, if you pay your dependent care provider on October 1 for the entire month of October, you can submit your reimbursement request for all of October, however, payment will be made only after the last day of care for that month has been received.

Make sure that your FSA Reimbursement Request Form is signed, dated and includes all required information (detailed above).

For timely processing of your reimbursement, your payroll contributions must be current.

**Be certain you obtain and submit all needed information when requesting reimbursement from your Dependent Care FSA. This information is required with each request for reimbursement.**

**A properly completed request will help speed along the process of your reimbursement, allowing you to receive your check or Direct Deposit promptly.**

## Why do I need to obtain dependent care provider information?

To claim the income exclusion for dependent care expenses on IRS Form 2441 (Child and Dependent Care Expenses), you must be able to list each dependent care provider's Taxpayer Identification Number (TIN). The TIN is an individual's Social Security Number, unless he or she is a resident or non-resident alien who does not have a Social Security Number.

If you are unable to obtain a dependent care provider's TIN, you must compose a written statement that explains the circumstances and states that you made a serious and earnest effort to get the information. This statement must accompany your IRS Form 2441.

## What is my Dependent Care FSA Availability?

Once you sign up for a Dependent Care FSA and decide how much to contribute, the funds available to you depend on the actual funds in your account. Unlike a Medical Expense FSA, the entire maximum annual amount is not available during the plan year, but rather after your payroll deductions are received.



# FSA Worksheets

## Deciding How Much to Deposit

To figure out how much to deposit in your FSA, refer to the following worksheets. Calculate the amount you expect to pay during the calendar and plan years for eligible, uninsured out-of-pocket medical and/or dependent care expenses. This calculated amount cannot exceed established IRS guidelines for calendar or plan year limits. (Refer to the individual FSA descriptions in this booklet for limits.) Be conservative in your estimates, since any money remaining in your accounts cannot be returned to you or carried forward to the next plan year.

### TAX-FREE MEDICAL EXPENSE WORKSHEET

Estimate your eligible, uninsured out-of-pocket medical expenses for the plan year, which is January 1 through December 31, 2004.

#### YOUR UNINSURED MEDICAL, DENTAL AND VISION EXPENSES

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

#### SUBTOTAL

Estimated eligible uninsured medical expenses for your period of coverage during the plan year.

Annual amount cannot exceed \$2,880 = \$ \_\_\_\_\_

#### DIVIDE

by the number of pay periods during the plan year (12, 24).\*  $\div$  \$ \_\_\_\_\_

**This is your pay period contribution** = \$ \_\_\_\_\_

\* If you are a new employee enrolling after the plan year begins, divide by the number of pay periods remaining in the plan year.

### TAX-FREE DEPENDENT CARE WORKSHEET

Estimate your eligible dependent care expenses for the plan year, which is January 1 through December 31, 2004.

#### NUMBER OF WEEKS

you will have dependent (child, adult or elder) care expenses during the plan year.

*Remember to subtract holidays, vacations and other times you may not be paying for eligible child, adult or elder care.* = \$ \_\_\_\_\_

#### MULTIPLY

by the amount of money you expect to spend each week.  $\times$  \$ \_\_\_\_\_

#### SUBTOTAL

Remember, your total contribution cannot exceed IRS limits for the plan year and calendar year. = \$ \_\_\_\_\_

#### DIVIDE

by the number of pay periods during the plan year (12, 24).\*  $\div$  \$ \_\_\_\_\_

**This is your pay period contribution** = \$ \_\_\_\_\_

\* If you are a new employee enrolling after the plan year begins, divide by the number of pay periods remaining in the plan year.

**At your request, your FSA checks may be deposited into your checking or savings account by enrolling in Direct Deposit.**

**Please remember to include all applicable fees to your MFSA contribution if you plan to use your EZ REIMBURSE® Card as a form of payment.**



# Employer Contribution

You may be eligible for an Employer Contribution toward your Medical Flexible Spending Account. If you waive your health insurance coverage and wish to direct the employer contribution to a Medical Expense FSA, the maximum employer contribution will be \$234 per month. If you are able to purchase an insurance plan for less than \$234, any excess funds will be available for a Medical Expense FSA – if you are eligible and you complete the appropriate application. If the employer contribution for the lowest cost Single Option A plan in your county is higher than \$234 and you waive health insurance coverage, you will only receive the employer contribution of \$234 – not the amount contributed to the lowest cost health insurance plan in your county.

If you elect to waive your health insurance coverage and place your state contribution into a Medical Expense FSA, you must fill out Sections I, II (#2), VI, and VII of the Health Insurance/FSA application. You must turn in the completed application to your Insurance Coordinator. **Enrollment is NOT automatic. Your participation will not “roll over” from one year to the next.**

**Note: the Dependent Care Account is not eligible for an employer contribution.**

Use the worksheet at right to determine if you qualify.

Monthly Employer Contribution  
for Health Insurance for 2004 1. \$234.00

Enter the monthly premium for the  
health insurance plan you have selected 2. \_\_\_\_\_  
(If you have waived coverage,  
enter -0- on line 2)

Subtract line 2 from line 1  
This is your eligible monthly employer  
contribution toward the Medical Flexible  
Spending account.\* 3. \_\_\_\_\_

Divide this number by 2 and  
enter on line “a” of the enrollment form.

\* If line 2 is larger than line 1, you do not qualify for the Employer  
Contribution, and the difference will be deducted from your paycheck to  
cover your insurance premium.





# Changing Your Coverage

## Am I permitted to make mid-plan year election changes?

Under some circumstances your employer's plans and the IRS may permit you to make a mid-year election change depending on the qualifying event.

**NOTE: An event that may permit a change in your health insurance may not support a change in your Medical Expense FSA.**

## How do I make a change?

You can change your Flexible Spending Account election(s) only under limited circumstances as provided by your employer's plan(s) and established IRS guidelines. A partial list of permitted, and not permitted, events under your employer's plan(s) appears on the following page. *Election changes must be consistent with the event.* Your employer will, in its sole discretion, review on a uniform and consistent basis, the facts and circumstances of each properly completed and submitted mid-plan year election change form. To see a complete list of permitted and not permitted qualifying events, please contact your Insurance Coordinator or the OPEHI Member Services Branch.

**To Make a Change:** Within **30 days** of a qualifying event that is consistent with one of the events on the following page, you must complete and submit the appropriate forms to your Insurance Coordinator. Upon the approval and completion of processing your election change request, your existing FSA(s) elections will be stopped or modified (as appropriate) *at the first of the month immediately following approval and completion of processing.* Generally, mid-plan year pre-tax election changes can only be made prospectively, no earlier than the first payroll after your election change request has been received by your employer, unless otherwise provided by law.

## Grievance Procedure

If your FSA election change request is denied, you will have **30 days**, from the date you receive the denial, to file a grievance with the OPEHI.

- Any employee who is dissatisfied with a decision regarding enrollment in the FSA program may file a grievance with the OPEHI Grievance Committee.
- Grievances must be filed in writing to the OPEHI Grievance Committee, 200 Fair Oaks Lane, Suite 502, Frankfort, KY 40601.
- A grievance must include all of the following items:
  - a statement specifically describing the issue(s) disputed by the employee;
  - a statement of the resolution requested by the employee;
  - all other relevant information; and
  - any supporting documentation.
- Any grievance that does not include all necessary information will be returned to the employee without review.
- A written response will be mailed to the employee and the Insurance Coordinator stating the decision of the Grievance Committee.
- The Committee will not review a second request unless additional relevant facts are provided.



# Changing Your Coverage

## What are the IRS Special Consistency Rules governing Changes in Status?

- 1. Loss of Dependent Eligibility.* If a change in your marital or employment status involves a decrease or cessation of your spouse's or dependent's eligibility requirements for coverage due to: divorce or annulment from your spouse, the death of your dependent or spouse, or a dependent ceasing to satisfy eligibility requirements, you may elect to decrease or cancel the health insurance coverage only for the individual(s) involved. You cannot decrease or cancel any other individual's coverage under these circumstances.
- 2. Gaining Coverage Under Another Employer's Plan.* If you, your spouse, or your dependent gains eligibility for coverage under another employer's plan as a result of a change in marital or employment status, you may stop or decrease coverage for that individual only if that individual gets coverage or has it increased under that employer's plan.

## Changes in Status:

<b>Marital Status</b>	A change in marital status including marriage, death of a spouse, divorce or annulment (legal separation is not recognized in all states).
<b>Change in Number of Tax Dependents</b>	A change in number of dependents, including the following: birth, death, adoption, and placement for adoption. Existing dependents can also be added whenever a dependent gains eligibility as a result of a valid CIS event. IRS special consistency rule 1 may apply as noted at left.
<b>Change in Status of Employment Affecting Coverage Eligibility</b>	Change in employment status of the employee, spouse or dependent that affects the individual's eligibility for coverage under an employer's plan.
<b>Gain or Loss of Dependents' Eligibility Status</b>	An event that causes an employee's dependent to satisfy or cease to satisfy eligibility under the FSA plans such as: a dependent who reaches age 13 or a change in the dependent's tax status.



# Changing Your Coverage *Continued*

## Some Other Permitted Changes:

<b>Coverage and Cost Changes</b> (Does not apply to a Medical Expense FSA)	Your employer's Dependent Care FSA plan may permit election changes due to cost or coverage changes. Contact your employer. You may make a corresponding election change to your Dependent Care FSA benefit whenever you actually switch dependent care providers. However, if a relative (who is related by blood or marriage) provides custodial care for your eligible dependent, you cannot change your salary reduction amount solely on a desire to increase or decrease the amount being paid to that relative.
<b>Open Enrollment Under Other Employer's Plan</b> (Does not apply to a Medical Expense FSA)	You may make an election change when your spouse or dependent makes an Open Enrollment Change in coverage under their employer's plan if*: <ul style="list-style-type: none"><li>• their employer's plan year is different from your employer's cafeteria plan,</li><li>• they participate in their employer's plan, and</li><li>• their employer's plan permits mid-plan year election changes under this event.</li></ul>
<b>Judgement/Decree/Order</b> (Does not apply to a Dependent Care FSA)	If a judgement, decree, or order from a divorce, legal separation (if recognized by state law), annulment, or change in legal custody requires that you provide <i>accident or health coverage</i> for your dependent child (including a foster child who is your dependent), you may change your election* to provide coverage for the dependent child. If the Order requires that another individual (including your spouse and former spouse) cover the dependent child and provide coverage under that individual's plan, you may change your election to <i>revoke</i> coverage only for that dependent <i>child and only if the other individual actually provides the coverage</i> .
<b>Medicare/Medicaid</b> (Does not apply to a Dependent Care FSA)	Gain or loss of Medicare/Medicaid eligibility and enrollment may trigger a permitted election change.
<b>Family and Medical Leave Act (FMLA) Leave of Absence</b>	Limited election changes may be made under the special rules relating to employees taking FMLA leave. Contact your Insurance Coordinator for additional information.

# COBRA Q&A

## What is the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)?

According to federal and state law, if you are a covered employee who has lost group health plan coverage due to a qualifying event, you and your covered dependents are entitled to continue your Medical Expense FSA coverage in effect at the time of the event. Contact your Insurance Coordinator for continuation of your Medical Expense FSA within **30 days** of a COBRA qualifying event.

## What are COBRA Qualifying Events?

As a general rule, there is a COBRA "qualifying event" if:

- a covered employee's termination of employment occurs other than due to gross misconduct (this includes retirement);
- there is a reduction in a covered employee's hours of employment;
- a covered employee dies;
- a covered employee becomes entitled to Medicare;
- a covered employee experiences a divorce or legal separation; or
- a child ceases to qualify as a dependent under the terms of the plan.

## How does HIPAA affect COBRA?

HIPAA gives a person already on COBRA certain enrollment provisions to add dependents only if such a person:

- acquires a new dependent; or
- an eligible dependent declines coverage because of alternative coverage; and
- later loses such coverage due to certain qualifying reasons.

Spouse or dependents who are added under this paragraph do not become Qualified Beneficiaries and their coverage will end at the same time coverage ends for the person who elected COBRA and later added them.

## Who are Qualified Beneficiaries?

- the person must be a covered employee, the spouse of a covered employee, or the dependent child of a covered employee; and
- the person must be covered by the group health plan on the day prior to the qualifying event.

## How long is the COBRA coverage period?

A qualified beneficiary's maximum coverage period is determined by the COBRA qualifying event and extends for the rest of the plan year in which the qualifying event occurs. Until the maximum COBRA period expires, the qualified beneficiary may re-enroll for subsequent plan years during annual open enrollment and elect a higher or lower annual coverage limit than before.

## How does COBRA affect my Medical Expense FSA Plan?

In accordance with COBRA, your employer's plan offers limited COBRA continuation rights to qualified beneficiaries who have under spent their Medical Expense FSA as of the date of the COBRA qualifying event. Unless otherwise elected, the spouse and dependents of the person electing COBRA will be covered. Only qualified beneficiaries have election rights and may elect separate COBRA coverage with:

- a separate Medical Expense FSA at the elected annual limit in effect at the time of the COBRA qualifying event and
- a separate COBRA premium through the end of the plan year in which the COBRA qualifying event occurs.

## How do I pay for continuation of coverage?

The monthly COBRA premium for coverage is the monthly premium you were paying *via* salary reductions before the date of the COBRA qualifying event plus a two percent administrative fee, and must be received by the COBRA administrator by the first of the month. Under COBRA, your premium must be paid by check or by money order, made payable to the Kentucky State Treasurer.

## When must I make my initial COBRA elections?

A qualified beneficiary must elect COBRA coverage within 60 days after:

- the employee's loss of group health plan coverage or
- the date the Election Notice was mailed to the qualified beneficiary.

If a qualified beneficiary fails to meet this deadline, he or she will be deemed to have declined COBRA coverage.

## When is my initial payment due?

Your full COBRA payments are due on the first of every month. COBRA laws allow for a 30-day grace period after the due date. If your full payments are not received by 30 days after the due date, your COBRA coverage will be cancelled retroactive to the first day of the month for which the full payment is due.

## What if I fail to make subsequent required payments?

A COBRA premium payment (other than the initial premium payment) will be considered timely if made within 30 days after the premium's due date. A qualified beneficiary's COBRA coverage will terminate (without any ability to reinstate it) for failure to pay the required subsequent COBRA monthly payments on time. A cancellation notice will be sent to the qualified beneficiary if his or her full premium payment is not received.



## Social Security

Social Security consists of two tax components: the FICA or OASDI component (the tax for old-age, survivors', and disability insurance) and the Medicare component. A separate maximum wage to which the tax is assessed applies to both tax components. As of January 2003, the maximum taxable annual wage for FICA is \$87,000. There is no maximum taxable annual wage for Medicare. If your annual salary after salary reduction is below the maximum wage cap for FICA, you are reducing the amount of taxes you pay and your Social Security benefits may be reduced at retirement time.

However, the tax savings realized through the Flexible Benefits Plan generally outweigh the Social Security reduction. Call FBMC Customer Service at 1-800-342-8017 for an approximation.

## FBMC Privacy Notice

4/14/03

This notice applies to products administered by Fringe Benefits Management Company and its wholly-owned subsidiaries (collectively "FBMC"). FBMC takes your privacy very seriously. As a provider of products and services that involve compiling personal—and sometimes, sensitive—information, protecting the confidentiality of that information has been, and will continue to be, a top priority of FBMC. This notice explains how FBMC handles and protects the personal information we collect. Please note that the information we collect and the extent to which we use it will vary depending on the product or service involved. In many cases, we may not collect all of the types of information noted below. FBMC's privacy policy is as follows:

- I. We collect only the customer information necessary to consistently deliver responsive services. FBMC collects information that helps serve your needs, provide high standards of customer service, and fulfill legal and regulatory requirements. The sources and types of information collected generally varies depending on the products or services you request and may include:
  - Information provided on enrollment and related forms - for example, name, age, address, Social Security number, e-mail address, annual income, health history, marital status, and spousal and beneficiary information.
  - Responses from you and others such as information relating to your employment and insurance coverage.
  - Information about your relationships with us, such as products and services purchased, transaction history, claims history, and premiums.
  - Information from hospitals, doctors, laboratories and other companies about your health condition, used to process claims and prevent fraud.
- II. Under HIPAA, you have certain rights with respect to your protected health information. You have rights to see and copy the information, receive an accounting of certain disclosures of the information and, under certain circumstances, amend the information. You also have the right to file a complaint with the Plan in care of FBMC's Privacy Officer or with the Secretary of the U.S. Department of Health and Human Services if you believe your rights under HIPAA have been violated. Additional information that describes how medical information about you may be used and disclosed and how you can get access to this information is provided electronically on our Web site: [www.fbmc-benefits.com](http://www.fbmc-benefits.com). You have a right to a paper copy at any time. Contact FBMC Customer Service at 1-800-342-8017.
- III. We maintain safeguards to ensure information security. We are committed to preventing unauthorized access to personal information. We maintain physical, electronic, and procedural safeguards for protecting personal information. We restrict access to personal information to those employees, insurance companies, and service providers who need to know that information to provide products or services to you. Any employee who violates our Privacy Policy is subject to disciplinary action.

IV. We limit how, and with whom, we share customer information. We do not sell lists of our customers, and under no circumstances do we share personal health information for marketing purposes. With the following exceptions, we will not disclose your personal information without your written authorization. We may share your personal information with insurance companies with whom you are applying for coverage, or to whom you are submitting a claim. We also may disclose personal information as permitted or required by law or regulation. For example, we may disclose information to comply with an inquiry by a government agency or regulator, in response to a subpoena, or to prevent fraud.

We will provide our Privacy Notice to current customers annually and whenever it changes. If you no longer have a customer relationship with us, we will still treat your information under our Privacy Policy, but we will no longer send notices to you. In this notice of our Privacy Policy, the words "you" and "customer" are used to mean any individual who obtains or has obtained an insurance, financial product or service from FBMC that is to be used primarily for personal or family purposes.

## Notice of Administrator's Capacity

PLEASE READ: This notice advises flexible spending account participants of the identity and relationship between the Commonwealth of Kentucky and its Contract Administrator, FBMC. FBMC is not an insurance company. FBMC has been authorized by your employer to provide administrative services for the flexible spending account plans offered herein. FBMC will process claims for reimbursement promptly. In the event there are delays in claims processing, you will have no greater rights in interest or other remedies against FBMC than would otherwise be afforded to you by law.



# FBMC

Contract Administrator  
Fringe Benefits Management Company  
P.O. Box 1878 • Tallahassee, Florida 32302-1878  
Customer Service 1-800-342-8017 • 1-800-955-8771 (TDD)  
[www.fbmc-benefits.com](http://www.fbmc-benefits.com)

Information contained herein does not constitute an insurance certificate or policy. Certificates will be provided to participants following the start of the plan year, if applicable.

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